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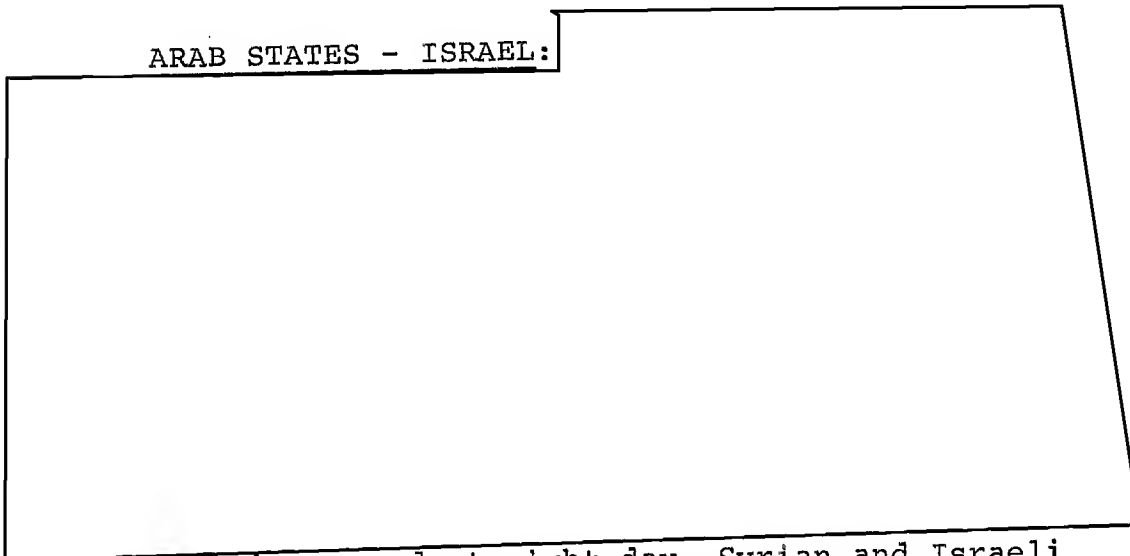
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ARAB STATES - ISRAEL:

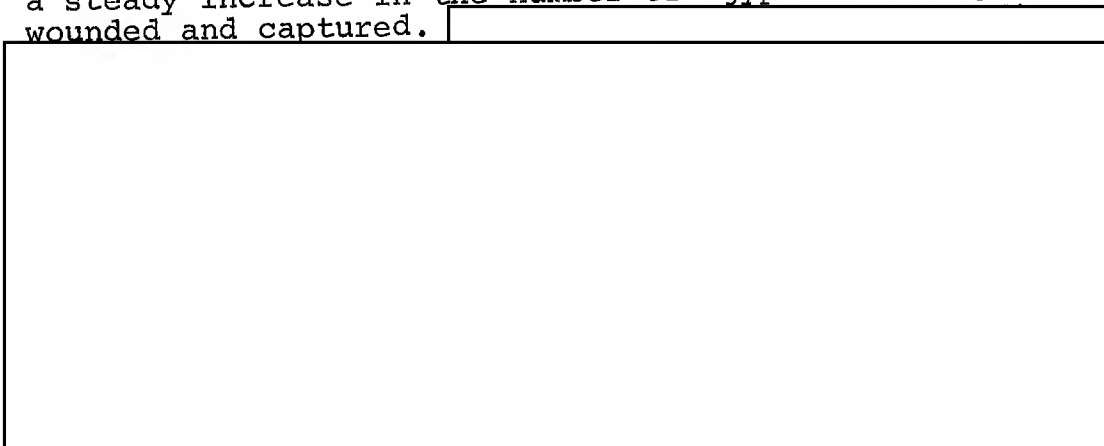


For the second straight day, Syrian and Israeli forces exchanged fire on the Golan front. The



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Military activity along the Egyptian front was light yesterday. The continued small-scale incidents on the Egyptian front are, nevertheless, resulting in a steady increase in the number of Egyptians being wounded and captured.



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There are persistent reports that the Third Army is being resupplied with ammunition, probably in small amounts, via the Gulf of Suez. The Egyptians have made this claim publicly, [REDACTED]

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A Red Cross official in Cairo who spoke to most of the approximately 240 Israeli prisoners before their repatriation last month has told the US Interests Section that he cannot corroborate Israeli charges of maltreatment. The Israelis filed and subsequently publicized an official complaint to the International Committee of the Red Cross on 10 December, charging Egypt with "murder, acts of brutality, and calculated humiliation" of Israeli prisoners. The Red Cross official, although noting that maltreatment could have occurred after he spoke to the prisoners, said that several of the wounded made particular note of their good treatment. He does not believe the allegations of torture or the charges that the Egyptians are still holding Israeli prisoners captured before the prisoner exchange was completed.

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(The Egyptians have countered with their own charges of Israeli torture of prisoners--accusations for which there is also no corroboration. The exchange of accusations may be designed, in part, simply to escalate tensions as the start of negotiations approaches. The Israelis may also hope, by turning their attack toward the Egyptians, to divert domestic attention from the completely stalemated and controversial prisoner issue with Syria. [REDACTED]

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CAMBODIA: Foreign Minister Long Boret is in line to replace In Tam as prime minister. [REDACTED]

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[REDACTED]
[REDACTED] Boret's lack of any political base probably will make him acceptable to the country's two major political parties. If he accepts, current plans call for him to preside over a smaller, 16-man cabinet consisting of representatives from Lon Nol's and Sirik Matak's parties as well as from independent and military ranks.

The 40-year-old Boret has held a number of important government positions. His talents are particularly suited to his present Foreign Ministry assignment, and he undoubtedly has won high marks from Lon Nol for his recent successful efforts to help stave off Sihanouk's bid to unseat Phnom Penh at the UN.

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EUROPEAN COMMUNITIES: The EC Council of Ministers on 10 December approved about 30 tariff concessions (Article XXIV:6) designed to offset export losses suffered by the community's trading partners as a result of EC enlargement. The specific details of the compensatory offer are not fully known, but the general content does not satisfy US requirements. As expected, concessions on cereals are not included, and the tariff reductions on other items fall considerably short of US desires. Despite the fact that the offer will not fully satisfy the US and other affected countries, chiefly Australia, Brazil, Canada, Malaysia, and Poland, it is unlikely that the community will substantially alter its concessions, although some EC members have indicated that negotiation is possible.

Council approval came only after long internal negotiations that were often stalled by member states attempting to protect their own interests. France was particularly intransigent in the negotiations. The final hurdle to approval was cleared when the EC agreed to French demands for subsidies to Martinique pineapple growers. The concessions are to be formally presented to the community's trading partners at the headquarters of the General Agreement on Tariffs and Trade within a few days.

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JAPAN: The Ministry of International Trade and Industry has called for the establishment of a public corporation that would stockpile key raw materials and agricultural products obtained primarily through imports. The move apparently is intended to cushion the adverse impact of sudden disruptions in delivery of these items by foreign suppliers. Under consideration for stockpiling are logs and lumber, copper ore, aluminum, nickel, uranium, and other nonferrous ores, soybeans, beef, cotton, and wool.

To further help reduce supply uncertainty, the corporation would promote Japanese investment in overseas ventures producing resources needed in Japan. Projects which may receive the new corporation's financial backing reportedly include a joint Japanese-French-Niger uranium mine in Niger, a US \$300-million aluminum refinery in Indonesia, and a Peruvian copper mine. Legislation for setting up and funding the corporation probably will be considered early in 1974. [REDACTED]

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JAPAN - SOUTH VIETNAM: The Japanese Government appears ready to provide investment insurance for Japanese firms investing in South Vietnam. Tokyo plans to make this move by mid-January, but could be delayed if the security situation in South Vietnam deteriorates. Over the short run, however, investment insurance is not likely to lead to a sudden increase in Japanese investment in South Vietnam because of the unstable situation and uncertain outlook. Those investments that do materialize are likely to be small ventures, such as textiles, involving minimal capital outlays and speedy returns on investment.

The types of risk covered would include war damages, loss due to nationalization, and inability to convert local currency into yen. Coverage would be limited as to types of activities, available only in urban areas, and limited as to amount--perhaps up to US \$1 million in most cases.

If prospects for stability in South Vietnam improve, the government action would prepare the way for increased Japanese economic involvement. For some time, Japan has been exploring the opportunities in South Vietnam for investment in such areas as glass, lumber, oil development, and foodstuffs. Japanese - South Vietnamese joint ventures already produce farm machinery, radios, and television sets. [REDACTED]

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YUGOSLAVIA: A severe electric power shortage that threatens to cripple industrial production has prompted the government to cut consumption by ordering:

- rationing of power to homes, factories, and government offices,
- reduction of public lighting to a minimum safety level,
- elimination of display lighting, and
- a reduction of television programming by two hours daily.

Although Yugoslavia has had periodic shortfalls in electricity production in the past, the current crisis is the worst in several years. The government estimates that the country now faces a 25-percent shortfall. Because of a recent cold wave and weather forecasts of limited precipitation in the months ahead, the government anticipates that the power situation will continue to worsen until spring. A long-standing drought that lowered the reservoirs of hydroelectric powerplants and repeated breakdowns in thermal electric plants have precipitated the crisis.

The crisis has had an uneven regional impact. Slovenia and Croatia--the two most industrialized republics--are facing the largest cutbacks, while Serbia faces only limited shortages. In some Slovenian towns, industrial production reportedly has nearly halted.

Construction of electrical generating plants--especially in Slovenia and Croatia--has not kept pace with the growth of energy consumption in recent years. The Slovenes and Croats have repeatedly pushed for construction of new facilities in their republics, but interrepublic squabbling and restrictions on investment have delayed a number of projects. Both republics probably will use the current crisis as leverage to seek more federal funding for new energy projects.

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SUDAN: The students' seizure of Khartoum University on Monday raises the danger of wider disorders like those of early September that disrupted the economy and prompted the government to close schools for three months. The government's reaction so far has been restrained. Should the takeover continue, however, the government, at a minimum, may feel compelled to close the university for the remaining seven months of the academic year.

An estimated 1,200 students, reportedly egged on by conservative Muslim Brothers and Communists, are barricading entrances to the campus. Anti-Numayri campus agitators are exploiting student unhappiness with the continued imprisonment of students involved in the disorders of September and the disbandment of the politically activist Students Union. They may also be taking advantage of President Numayri's brief absence from the country to attend Independence Day celebrations in Kenya.

The police have limited their action to sealing off the university in hope of wearing down the demonstrators. The students may resort to violence, however, if the authorities cut off utilities, a measure now being considered.

Secondary school students who participated in the disorders three months ago tried yesterday to organize a mass protest in sympathy with the university students, but they were dispersed by police. The student disorders in the late summer triggered a strike by the Railway Workers Union that threatened to cripple the economy. There has thus far been no show of support from the unions or other nonstudent groups.

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